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C O N F I D E N T I A L BRASILIA 00158

CONFIDENTIAL

DEPARTMENT FOR WHA/BSC, WH/EPSC, AND USOAS
DOE FOR GWARD, CGAY, AND RDAVIS

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SUBJECT: Hemispheric Energy and Brazil? Depends who you ask

Classified By: Ambassador Sobel, Reason 1.4 (b) and (d)

¶1. (C) Summary: Ambassador Sobel recently met with Brazil's Under Secretary equivalent for Energy and Technology at the Ministry of External Relations (MRE), Ambassador Andre Amado, to discuss continuing bilateral biofuels efforts. Over the course of the meeting, the idea of hemispheric energy cooperation arose and Amado used the occasion to voice his adamant opposition. Despite various attempts to find an opening in his position, it was clear that Amado, and as a result MRE, will be very unlikely to support hemispheric energy initiatives currently under consideration, barring the strong engagement of other ministries. There is support in other quarters of the government, including from the increasingly powerful Minister of Mines and Energy Edson Lobao. The success of any attempts to enlist Brazil's support in these efforts will depend heavily on approaching the right elements within the GOB and packaging the proposal appropriately. END SUMMARY

¶2. (C) During a meeting with Ambassador Sobel on February 4 to discussing ongoing biofuels efforts, Ambassador Andre Amado described his plans for a visit to the U.S on February 25; the Brazilian Embassy has proposed meetings with WHA A/S Tom Shannon, U/S Bill Burns, and Senator Lugar. Amado noted he wasn't sure it was a good idea for him to meet with Senator Lugar. When pressed for the reasons, Amado said it would be a difficult meeting for him given his disagreement with the basic premise of Lugar's proposal for a Hemispheric Energy Compact. He said he didn't believe it was advisable to engage "hostile nations" that may not want our help. He felt we would both do better to concentrate on working where we can "be all encompassing," such as in developing nations in Africa and South Asia (he cited the Philippines, Thailand, and Vietnam) that would welcome all aspects of assistance. Amado pressed to include this type of focus on developing countries in other regions for our bilateral biofuels cooperation under the 2007 Memorandum of Understanding, stating that the United States was "behind the starting line and needs to overcome the heritage of the Bush years." In Amado's view, most U.S. assistance in this area has focused on opening business markets but to be successful, he argued, it should be more about assisting poor nations. (Note: Brazil advocated and we agreed to extend our bilateral biofuels cooperation in third countries to Africa - Senegal and Guinea Bissau - but the GOB is still working to secure funding for the studies they agreed to finance and execute in those countries.)

¶3. (C) Ambassador Sobel agreed that working together bilaterally in developing countries could be positive but noted that need not exclude the possibility of hemispheric cooperation. Amado grew visibly more agitated as he demanded, "Do you want another FTAA in energy?" Ambassador Sobel made the point that resistance by five or six countries to hemispheric wide cooperation should not limit all 34 nations. Amado then replied, "If you insist on doing this, we won't be there holding your hand." Ambassador Sobel then cautioned that this was an issue of immense interest in Washington and that Amado should not be surprised to hear a great deal about hemispheric energy during his upcoming visit.

14. (C) When asked whether he made room for the possibility of building a positive agenda for the hemisphere, focusing on the areas we can agree on, even if relatively modest to start, Amado asked "what have you been doing hemispherically? We've been working on integration, bilaterally. Brazil-Paraguay, Brazil- Venezuela, Brazil- Argentina, Brazil-Bolivia, look where that's gotten us!" (Note: Amado was referencing bilateral energy cooperation projects such as Itaipu dam, an oil refinery with Venezuela, and sales of natural gas between Bolivia, Argentina, and Brazil: all of which have fallen victim to contract difficulties and have become quite controversial in Brazil.)

15. (c) In stark contrast to Amado's opposition to hemispheric cooperation, which echoes prior conversations with various officials at MRE, the Ministry of Energy has been positively inclined. In a meeting on January 14 with Minister of Mines and Energy Edson Lobao, the Ambassador, at the request of Department of Energy, solicited Lobao's support for a possible hemispheric energy conference. Ambassador Sobel noted that it was important to send the new administration the message that Brazil wanted to work with the United States, especially in light of the December 2008 Brazil-sponsored Bahia summit with all the countries of the hemisphere other than the U.S and Canada, and to demonstrate that such initiatives do not preclude hemispheric cooperation. Lobao immediately indicated his eagerness to participate and work with the United States. When the Ambassador suggested that active Brazilian support of such an effort might help encourage the participation of other countries in the hemisphere, Lobao seemed inclined to agree to that as well, but his international advisor, Ambassador Rubem Barbosa (on detail from MRE), preempted his response and noted that sponsorship or promotion of such an event would require MRE approval and they would have to consult the appropriate people at MRE (i.e., Amado).

16. (C) Anticipating this response, Econoff had previously raised the conference idea with the Director of the Renewable Energy Division at MRE, Claudia Vieira Santos. Santos's initial reaction was that there was much negativity in the region against the United States and it wasn't in Brazil's interest to work too cooperatively with the USG in South America, recalling that the 2007 Biofuels MOU had cost them significant political capital with their neighbors. When she learned that UNDP/ECLAC, the Inter-American Development Bank, Andean Development Corporation, OLADE and others might be involved in the potential conference, she indicated that this fact could change the picture significantly and might make Brazilian participation in such an event more possible.

17. (C) In a subsequent meeting between the Ambassador and Defense Minister Jobim, Jobim counseled the Ambassador to let Amado's comments "go in one ear and out the other." He indicated that he felt the balance of power within the GOB on energy matters had shifted to Minister Lobao and as a result MRE would not have the final word on hemispheric energy cooperation.

18. (C) COMMENT: As Washington considers various formulations for the Summit of the Americas, Energy Partnership of the Americas, and a DOE-sponsored Energy symposium, there are two primary factors that will determine USG success in gaining Brazilian participation or support.

-- Factor 1: It is critical to approach the issue through the right channels. Whatever the proposal, if it involves hemispheric energy cooperation, MRE has the interagency lead on the issue and will likely try to veto positive GOB response absent pressure from other players within the GOB and legislature. There are parts of the GOB that would support such initiatives, such as Mines and Energy where it is widely acknowledged that Minister Lobao has won the contest within the GOB for leadership in the wide range of energy sector issues. His friendship with the newly elected President of the Senate, fellow party member - and former President of Brazil - Jose Sarney, may give him added clout in intergovernmental territory disputes. These players need to be brought into the calculations early so that we avoid filtering all information through the Brazilian Embassy and MRE, thereby allowing them the opportunity to exercise negatively their preemptory prerogative over international affairs. To cultivate support from other increasingly powerful ministries, approaches should be made directly to them without filtering the request through MRE channels, although being sure to keep MRE apprised of our efforts. That said, there may be a more direct and

more effective route. Given the intense desire here to demonstrate good will with the new administration, post judges that the most effective path to yes on any of these initiatives would be a direct request from President Obama to President Lula - or the White House to Brazil's Presidential Office Planalto - without giving MRE the chance to campaign against it in advance. Jobim's comments hint at a territorial struggle that must be considered in any approach. According to Jobim's comments, the decision makers on this issue will be at Planalto or the Ministry of Mines and Energy.

-- Factor 2: The Summit of the Americas (SOA) is viewed skeptically at best in Brazil, due to the perception that it is a U.S. initiative and U.S. dominated forum. The extent to which hemispheric energy proposals are separated from SOA, spearheaded by other nations in the hemisphere other than the United States (especially countries not commonly viewed as being aligned with the United States), or sponsored by regional organizations, will positively impact the chances of gaining Brazilian acceptance.

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